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UNCLAS HARARE 001519

SIPDIS

STATE FOR AF/S

SENSITIVE

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SUBJECT: Possible Financial Sanctions Violation

Summary

1. (SBU) Various news reports over the past several months have alleged that a possible grain deal between a GOZ parastatal and U.S. firm Sentry Financial, aspects of which may have violated Executive Order 13288 of March 7, 2003, which restricts financial transactions between U.S. entities and 77 Zimbabweans connected to the GOZ and ruling Zanu-PF party. An opposition Movement of Democratic Change (MDC) activist has pressed the issue, including writing directly to Sentry. We have not been able to substantiate these reports in Harare and request that the Department of State pass to the Department of Treasury's Office of Foreign Asset Control (OFAC) for further investigation (see paragraph 6).

Alleged Grain Deal

2. (SBU) In late-May, Africa Confidential - a bimonthly, London-based newsletter about African politics and economics - first reported an alleged grain deal between the Zimbabwean parastatal Grain Marketing Board (GMB) and Sentry Financial of Salt Lake City, UT. The article cited as its source a memorandum between Jewel Bank (owned by Central Bank head Gideon Gono) and the GMB in which Sentry Financial is alleged to have offered a US\$700 million loan facility to the GOZ for grain purchases.

3. (SBU) Zimbabwe's opposition subsequently picked up on the reported deal. MDC National Executive Member Eddie Cross sent a letter to Sentry Financial Executive Vice President Kirk Heaton on May 22. Cross subsequently made the letter public. In it he asserts: "As a U.S. company you are also violating the wishes of your government and cannot expect any succor from that quarter." Cross does not refer specifically to financial sanctions (and the GMB is not a sanctioned entity), rather his objection is that the GOZ would use the grain as a political weapon.

4. (SBU) For its part, the GOZ has denied that any deal exists. On May 16, Agriculture Minister Joseph Made said publicly that Zimbabwe did not require grain imports due to the success of fast-track land reform. Made reiterated GOZ forecasts of a banner maize harvest of 2.4 million tons, far exceeding the country's 1.8 million ton consumption needs.

5. (SBU) Subsequent Africa Confidential articles have further alleged that Mashonaland Tobacco Company - a part-subsubsidiary of U.S. firm Dimon of Danville, VA - guaranteed the line of credit in return for tobacco supplies. Africa Confidential and the local opposition press also asserted that some of the tobacco Mashonaland Tobacco Company purchased could have originated on farms occupied by Zimbabwe Defense Industries (ZDI). ZDI is on the Department of Treasury's Office of Foreign Asset Control's designated sanctions list and were this allegation substantiated, it could constitute a violation of EO 13288. (Note: Central Bank Governor Gono is on the travel ban but not on the financial sanctions list.) By early-June, several U.S. media outlets, including the L.A. Times on June 9, ran articles reporting the deal and alleging that it violated U.S. sanctions on Zimbabwe.

Comment and Action Request

65. (SBU) The Embassy has not succeeded in substantiating whether a alleged deal exists between the GMB and the two U.S. firms. Nor are we able to track the origins of the tobacco cited in the media. Post requests that the Department of State refer the matter to the Department of Treasury's OFAC for further investigation. The Department should alert OFAC that Senator Russell Feingold has also requested information about the purported transactions.

